



Committee On Finance

Max Baucus, Chairman

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STATEMENT OF CHAIRMAN MAX BAUCUS TRADE BILL OF 2002

Mr. President, three months ago, the Senate passed its version of the Trade Act of 2002. It was a strong, progressive bill. We passed it overwhelmingly, with strong bipartisan support.

We now have completed our conference with representatives of the House, and I am pleased to present the Senate with a conference report that retains and builds upon the key elements of the Senate bill.

THE IMPORTANCE OF TRADE

Let me go back to the basics for a minute. What does this bill mean for our country? What does it mean for our economy? In a nutshell, trade means jobs. Twelve million Americans depend on exports for their jobs. That's one out of every ten workers.

Trade supports jobs in all sectors. We often think of trade as helping big multinational companies. In fact, firms with fewer than 20 workers represent two-thirds of American exporters. And U.S. agriculture exports support more than 750,000 jobs.

Trade also means that hard-earned paychecks go further. In many ways, new trade agreements are like a tax cut for working families. According to a recent study, a successful round of trade negotiations could provide annual benefits of as much as \$2500 per family. But trade is about more than simple economics. Trade between nations creates opportunities for both parties. It can help lift countries out of poverty, while strengthening our relationships around the world.

Look at our agreement with Jordan as one example. It has a relatively small effect on our economy. But it has an important impact on Jordan's economy – and it has cemented our relationship with a key Middle East ally. So that is what's at stake in this debate. With that background, let me turn to the bill itself.

FAST TRACK

The most talked-about provision of this legislation is the re-establishment of the President's fast track trade negotiating authority. This will make it much easier for the President to negotiate strong trade agreements. But we don't give the President a blank check. Far from it. The bill makes Congress a full partner in trade, especially by laying out negotiating objectives on a number of topics.

On agriculture, one of my priorities, the legislation directs the President to seek new markets for American agricultural products and to continue to work to lower the trade-distorting subsidies of our trading partners. This is critical for my home state of Montana.

On a more traditional topic, the legislation also directs the President to continue to negotiate the reduction and elimination of tariffs, while recognizing the sensitivity of tariffs in a few sectors, such as textiles. The bill also directs the President to address some of the new issues, such as e-commerce. By acting to negotiate agreements now, we can hopefully stop protectionism in this sector before it even starts.

Each of these objectives is critically important. However, most of the debate this year has focused on three trouble spots in trade negotiations: labor rights and environmental standards, so-called "Chapter 11" investor-state dispute settlement provisions, and the integrity of U.S. trade laws.

Let me turn to those difficult issues now. First, labor and environmental standards. Most importantly, this bill fully adopts the standard set forth in the U.S.-Jordan Agreement. In that agreement, both parties agreed to strive for the labor standards articulated by the International Labor Organization, and for similar improvement in environmental protection. Both countries also agreed to faithfully enforce their environmental and labor laws and not waive them to gain a trade advantage.

The Conference bill's fast track provisions fully reflect the Jordan provisions. And the bill makes it clear that Jordan is the model for every free trade agreement that we negotiate. That is a big step forward. In addition, the Conference bill contains negotiating objectives seeking to eliminate the worst forms of child labor. Senator Harkin has been a tireless advocate on this issue, and I am proud that the bill includes this important objective.

CHAPTER 11

Another contentious issue pertains to investor-state dispute settlement, also known as "Chapter 11," in reference to the provisions on this topic in NAFTA. The Conference bill attempts to balance the legitimate needs of U.S. investors with the legitimate needs of Federal, State, and local regulators, and the concerns of environmental and public interest groups. The bill directs trade negotiators to seek provisions that keep Chapter 11-type standards in line with the standards articulated by

U.S. courts on similar matters. It urges the creation of a mechanism to rapidly dispose of frivolous complaints and to deter their filing in the first place. And it urges the creation of an appellate body to correct legal errors and ensure consistent interpretation of key provisions by Chapter 11 arbitration panels. I am pleased that, on the whole, we were able to retain the Senate objectives on investment

TRADE LAWS

The second difficult issue within fast track is how we ensure fair trade. The U.S. is the most open major market in the world – period – and far more open than that of our major trading partners. To keep the playing field relatively level and battle foreign protectionism in the form of subsidies and dumping, the United States and most other developed countries maintain antidumping and countervailing duty laws. Another critical U.S. trade law – Section 201 – aims to give industries that are seriously injured by import surges some time to adapt.

Antidumping and countervailing duty laws combat trading practices that have been condemned for a century. Subsidies and dumping are too frequently used by foreign countries and companies to devastate U.S. industries. Rather than being protectionist these laws are the remedy to protectionism. And importantly, these laws are completely consistent with U.S. obligations under the WTO.

On a political level, these laws also serve as a guarantee to U.S. industries and U.S. citizens. They say that trade will be fair as well as free, and that temporary relief is available if imports rise to unexpected levels. Without those critical reassurances, I suspect that the already sagging public support for free trade would evaporate, and new trade agreements would simply become impossible.

Now, the Senate overwhelmingly supported an amendment by Senators Dayton and Craig. That amendment provided a process for raising a point of order against a bill that changes trade remedy laws. The House bill did not include this provision – although I expect the House might support such a provision if put to a vote.

That said, in the conference process we needed to come up with an alternative if we were going to move forward. I believe the provisions that have come out of that process are very strong – and give Congress an important role before an agreement is finalized.

First, this legislation raises concerns regarding recent dispute settlement panels under the WTO that have ruled against U.S. trade laws and limited their operation in unreasonable ways. These decisions clearly go beyond the obligations agreed to in the WTO and undermine the credibility of the world trading system. I am particularly concerned about decisions within the last couple of weeks regarding Canadian lumber and European steel privatization.

If these erroneous decisions are not addressed, I suspect public support for trade will erode further. That is why our concern regarding WTO dispute settlement is identified at the very outset of the bill – as findings – and why the Administration is directed to develop a strategy to counter or reverse this problem, or lose fast track.

This bill also contains a principal negotiating objective directing negotiators not to undermine U.S. trade laws. This fully expresses Congress's view that maintaining trade laws is among the highest priorities in our trade negotiations.

Finally – and most importantly, I believe – this bill directs the President to send a report to Congress, six months before he signs an agreement that lays out exactly what he plans to do with respect to our trade laws. This is important. This provision provides that the President – before he reports on any other issue – must lay out any changes that would have to be made to U.S. trade laws. This is important because it will give Congress a chance to affect the outcome of the negotiations well before they are over.

In fact, the bill provides for a resolution process where Congress can specifically find that the proposed changes are “inconsistent” with the negotiating objectives. I suspect that if either House of Congress were to pass such a resolution, the Administration would get the clear message that a trade agreement's prospects were not good. If they don't get that message, there are ways that either House of Congress can derail a trade agreement. But I don't think it would come to that. I think the agreement would be renegotiated in that circumstance – and that's the point.

This is a solid fast track bill. If passed, this will be the most progressive fast track bill we have ever had. It is a vast improvement over past grants of fast track on many of the key issues I have highlighted.

TRADE ADJUSTMENT ASSISTANCE

But let me turn to the portion of the bill that I believe is the most historic. We now have a unique opportunity to expand and improve a program that is a critical part of moving toward a consensus on trade – that program is Trade Adjustment Assistance.

TAA is a program with a simple, but critical, objective: To assist workers injured by imports to adjust and find new jobs. This is an objective that I suspect almost all Americans can support. TAA was created back in 1962 as part of an effort to implement the results of the so-called Kennedy Round agreement to expand world trade. President Kennedy and the Congress agreed that there were significant benefits to the country as a whole from expanded trade. They also recognized, however, that some workers and firms would inevitably lose out to increased import competition.

TAA was created as part of a new social compact that obliged the nation to attend to the legitimate needs of those that lose from trade as part of the price for enjoying the benefits of increased trade. Unfortunately, we have not always upheld that bargain in pursuing new trade agreements. Over the years we have failed to provide adequate

funding. We have scaled back benefits. We have tightened eligibility requirements. And we have neglected to recognize the need for expanded training and healthcare assistance. This legislation aims to fulfill the bargain struck in 1962. It makes several important changes in the TAA program to make it more effective:

First, the Conference Bill expands the number of workers eligible for TAA benefits in several ways. Like the Senate bill, the Conference bill covers secondary workers where the loss of business with the primary firm “contributed importantly” to job losses at the secondary plant. Where there is a particularly strong relationship between a primary firm and secondary firm, this legislation removes some of the red tape by actually creating a presumption of coverage.

The Conference bill also expands coverage to workers affected by shifts in production. Workers are automatically covered if their plant moves to a country with which the United States has a free trade agreement, or to a country that is part of a preferential trade arrangement such as ATPA, CBI, or AGOA.

For workers whose plant moves to any other country, TAA benefits are available if the Secretary of Labor determines that imports have increased or are likely to increase. I can think of virtually no circumstances in which relocating production abroad would not be accompanied by, or lead to, an increase in imports of the product. This is true because companies that move offshore typically export back to the United States. Moreover, I would note here that the workers do not have to prove that the increase in imports will come from the country to which production relocated. This is a standard that is easily satisfied.

In addition, the Conference Agreement includes a new TAA program for farmers, ranchers, fishermen, and other agricultural producers. Taken together, these expansions in eligibility are likely to result in tens of thousands of additional workers receiving TAA benefits every year. My understanding is that just under 200,000 workers per year will be covered by this new program.

Moreover, the benefits that they receive will be better than ever before in several ways. Most importantly, for the first time in the history of the program, we provide health care coverage for displaced TAA workers. Who would have thought - when we started this process two years ago - that we would be able to achieve such an important and laudable goal? But that is exactly what we accomplished. Workers eligible for TAA will now receive a 65 percent advanceable, refundable tax credit that can be used to pay for COBRA coverage, or a number of other group coverage options through the states. This assistance is available to workers for as long as they are participating in the TAA program.

I am extremely pleased with the health care provisions in the conference report, and I hope that we can bring the same willingness to work together and compromise to other important health care issues before us. The Conference bill also improves coverage by extending income support from 52 to 78 weeks to allow workers to complete training.

And thanks to the efforts of Senator Edwards, it adds a further 26 weeks of training and income support for workers who must begin with remedial education such as English as a second language. To pay for this additional training, the annual training budget is doubled from \$110 million to \$220 million.

For older workers, the Conference bill offers wage insurance as an alternative to traditional TAA. Workers who qualify and who take lower-paying jobs can receive a wage subsidy of up to 50 percent of the difference between the old and new salary – up to \$10,000 over two years. The goal is to encourage on-the-job training and faster re-employment of older workers who generally find it difficult to change careers.

The Senate bill included a two-year wage insurance pilot program. The Conference bill improves on the Senate bill in two ways – by making the program permanent, and by providing TAA health benefits to workers under the program if the new employer does not provide health insurance.

Finally, in addition to expanding benefits and eligibility, the Conference Agreement makes a number of improvements that streamline the program. It eliminates bureaucracy. It makes the program fairer, more efficient, and more user friendly. And I believe it will meet the ultimate goal of TAA – getting workers back to work more quickly. All told, this bill amounts to a major expansion and a historic re-tooling of TAA – a step that is long overdue.

TRADE PREFERENCE PROGRAMS

Finally, this legislation also expands several trade preference programs with countries in the Andean region, in the Caribbean, and in Africa. And it extends the Generalized System of Preferences.

The Andean Trade Preference Act – which provides new benefits to Peru, Bolivia, Columbia, and Ecuador – is particularly important. We must provide the citizens of those countries with an alternative to the illegal drug trade – and must do everything we can to shore up our relationship with these important allies. Fighting the war on drugs is an uphill battle for these countries. They cannot fight that battle unless legitimate, value-added sectors of their economies are encouraged and developed.

REGARDS

Before I conclude today, I would be remiss if I did not thank a number of people. First, in the House, I want to thank Chairman Bill Thomas. He and I disagree on some things – that's for sure. But we share a common goal of both expanding trade and helping workers left behind by trade. And we share the goal of getting this to the President's desk as soon as possible so that we can help jump-start this economy. We worked together to craft a strong trade bill – and I thank him for his efforts.

Second – I want to thank Congressmen Cal Dooley, John Tanner, and Bill Jefferson, who helped craft the House fast track legislation, and also Anna Eshoo and Ken Bentsen, who provided so much help on TAA.

In the Senate, I first want to thank Senator Daschle, who has helped this trade bill move through every step of the process. I also want to thank two Senators who played a key role during the committee process – Senator Bingaman for his efforts on TAA and Senator Bob Graham on ATPA. And I appreciate Senator Breaux’s work both during the Senate negotiations and during the conference.

I also want to give credit to a number of Senators whose efforts made this legislation much better. Senators Dayton and Craig on trade laws; Senator Edwards on the textile negotiating objectives and also on TAA; Senator Kennedy on access to medicines; Senator Harkin on child labor; Senator Inouye on some of the tuna provisions in ATPA, and Senators Rockefeller, Murkowski, and Wellstone on benefits for steel retirees.

Finally, I of course want to thank my partner on the Finance Committee, Senator Chuck Grassley for being helpful throughout this process.

CONCLUSION

Forty years ago, President Kennedy asked Congress for trade liberalizing legislation. It was a much simpler bill – at a time when trade issues were more narrowly defined. But it was still quite controversial – for many of the same reasons that trade remains controversial today. President Kennedy emphasized the importance of trade – for our economy, for our workers, and for American leadership in the world. Yet he also recognized even then that trade also creates dislocation – and that a new program, Trade Adjustment Assistance, was needed to aid workers left behind by trade.

The President, urging support for his proposal, said this: “At rare moments in the life of this nation an opportunity comes along to fashion out of the confusion of current events a clear and bold action to show the world what we stand for. Such an opportunity is before us now.”

Congress seized that opportunity and passed the Trade Expansion Act of 1962. Today we, too, can show the world – and America – what we stand for. Building not only on the vision of President Kennedy – but also on the efforts of the Presidents who followed him – we can show the world that America will lead the way in building a new consensus on international trade. We too must seize this opportunity.